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XIN YUAN ENTERPRISES GROUP LIMITED

信源企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1748)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SALE AND LEASEBACK OF AMBER BAY

THE SALE AND LEASEBACK

The Board hereby announces that on 2 March 2021, the Charterer, an indirect wholly-owned subsidiary of the Company, entered into: (1) the Memorandum of Agreement with the Owner, pursuant to which the Owner agreed to purchase and the Charterer agreed to sell the Vessel subject to the terms and conditions therein; and (2) the Bareboat Charter Agreement with the Owner in relation to the bareboat chartering of the Vessel. Under the Bareboat Charter Agreement, the Charterer leases back the Vessel from the Owner and also has the Purchase Option to purchase the Vessel from the Owner, and if the Purchase Option is not exercised, the Charterer has the Purchase Obligation at the end of the Charter Period to purchase the Vessel from the Owner subject to the conditions contained therein.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the entering into of the Memorandum of Agreement and the Bareboat Charter Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and the publication of announcement requirement under the Listing Rules but are exempt from the shareholders' approval requirement.

INTRODUCTION

The Board hereby announces that on 2 March 2021, the Charterer, an indirect wholly-owned subsidiary of the Company, entered into: (1) the Memorandum of Agreement with the Owner, pursuant to which the Owner agreed to purchase and the Charterer agreed to sell the Vessel subject to the terms and conditions therein; and (2) the Bareboat Charter Agreement

with the Owner in relation to the bareboat chartering of the Vessel. Under the Bareboat Charter Agreement, the Charterer leases back the Vessel and also has the Purchase Option to purchase the Vessel from the Owner, and if the Purchase Option is not exercised, the Charterer has the Purchase Obligation at the end of the Charter Period to purchase the Vessel from the Owner subject to the conditions contained therein.

DETAILS OF THE MEMORANDUM OF AGREEMENT AND THE BAREBOAT CHARTER AGREEMENT

Date

2 March 2021

Parties

- (i) The Charterer (as seller under the Memorandum of Agreement/charterer under the Bareboat Charter Agreement)
- (ii) The Owner (as purchaser under the Memorandum of Agreement/owner under the Bareboat Charter Agreement)

Subject Matter

Pursuant to the Memorandum of Agreement, the Charterer agreed to sell, and the Owner agreed to purchase, the Vessel. Pursuant to the Bareboat Charter Agreement, the Charterer agreed to lease back the Vessel from the Owner, immediately after the delivery of the Vessel from the Charterer to the Owner pursuant to the Memorandum of Agreement.

Consideration

Pursuant to the Memorandum of Agreement, the purchase price of the Vessel is US\$18,000,000 (the “**Purchase Price**”) and shall be settled by the Owner through telegraphic transfer, net of the Advance Hire (as defined below) and the Deposit (as defined below) paid by the Charterer under the Bareboat Charter Agreement.

The Purchase Price was determined (i) by reference to the fair value of the Vessel, being US\$21,800,000, based on the valuation of the market value of the Vessel as at 14 January 2021 stated in the Valuation Report (the “**Valuation**”); (ii) by applying the appropriate adjustments to the Valuation by the Company in consideration of various material factors relating to the Vessel, including the then market supply and demand of similar vessels; and (iii) after arm’s length negotiations between the parties on normal commercial terms. The Directors consider that the Purchase Price arrived at in respect of the Vessel is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Charter Period

The Charter Period shall be a period of 72 months commencing from the Actual Delivery Date.

Deposit

The Charterer shall pay a deposit of US\$189,000 (the “**Deposit**”) to the Owner before the Actual Delivery Date pursuant to the Bareboat Charter Agreement.

Charter Hire

The charter hire, being all and any hire for use of the Vessel payable by the Charterer (as charterer), for each Hire Period (each, a “**Charter Hire**”) shall be paid on the last day of the relevant Hire Period (each, a “**Hire Payment Date**”), except for the Advance Hire (as defined below), and shall consist of:

- (i) an advance hire payable on the Actual Delivery Date: the difference between the Finance Principal and the Purchase Price (the “**Advanced Hire**”); plus
- (ii) a fixed hire: Finance Principal to be repaid in full by 24 consecutive quarterly equal instalments (the “**Fixed Hire**”); plus
- (iii) a variable hire: a product of: (a) the amount of the Purchase Price as may be reduced by the payment of the Advanced Hire and the Fixed Hire immediately prior to the relevant Hire Payment Date; (b) the aggregate of LIBOR and a margin of 3.90% per annum; and (c) a fraction whose denominator is 360 and whose numerator is the number of days elapsed during the relevant Hire Period.

Purchase Option

At any time after the 2nd anniversary of the Actual Delivery Date of the Vessel and before the expiry date of the Charter Period under the Bareboat Charter Agreement and with at least 90 days’ written notice, the Charterer has the option to purchase the Vessel by the payment of the relevant outstanding Finance Principal plus the prepayment fee at the applicable purchase date subject to the conditions set out in the Bareboat Charter Agreement.

Purchase Obligation

Unless the Charterer has exercised the Purchase Option, the Charterer shall, upon the expiry date of the Charter Period, purchase the Vessel from the Owner in the amount of US\$100 together with all unpaid sums and break cost (if any) subject to the conditions set out in the Bareboat Charter Agreement.

OTHER DOCUMENTS

In connection with the transactions contemplated under the Memorandum of Agreement and the Bareboat Charter Agreement, the following documents (the “**Other Documents**”), among others, have been entered into on 2 March 2021:

- (i) a trust deed executed by, among others, the Owner, the Charterer and the Owner as the trustee (the “**Trustee**”) for the purpose of appointing the Trustee to hold certain property on trust for the benefit of, among others, the Owner;
- (ii) a share charge over all shares of the Charterer in favour of the Trustee; and

- (iii) a deed of charge over the earnings account of the Charterer for the purpose of the charter under the Bareboat Charter Agreement executed by the Charterer in favour of the Trustee.

GUARANTEE

The Company, as the parent company of the Charterer, has entered into a guarantee in favour of the Owner on 2 March 2021 (the “**Guarantee**”) in respect of, among others:

- (i) to guarantee the punctual performance by, the Charterer of all of its obligations under or pursuant to any Transaction Documents to which it is a party; and
- (ii) undertake to the Owner that whenever the Charterer does not pay any amount when due under or in connection with any Transaction Document, the Company shall immediately on demand pay that amount as if it were the principal obligor.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE TRANSACTION

The entering into of the Memorandum of Agreement and the Bareboat Charter Agreement is a sale and leaseback arrangement with regard to the Vessel, which the Company considers to be beneficial to the Group as the Group could obtain additional working capital while at the same time maintaining appropriate rights over the Vessel, which will also strengthen the cash flow of the Group.

In accordance with the requirements of Hong Kong Financial Reporting Standards, the entering into of the Memorandum of Agreement and the Bareboat Charter Agreement and the transactions contemplated thereunder shall be accounted for as a financing transaction and therefore would not give rise to any gain or loss.

The terms of the Memorandum of Agreement and the Bareboat Charter Agreement were arrived at after arm’s length negotiations between the parties with reference to the value of the Vessel and the borrowing cost of the Group. The Directors are therefore of the view that the terms of the Memorandum of Agreement, the Bareboat Charter Agreement and the transactions contemplated thereunder, are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PARTIES AND THE VESSEL

The Company and the Charterer

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of asphalt tanker chartering services under various types of charter agreement comprising: (i) time charters; and (ii) voyage charters and contracts of affreightment. The Charterer is also principally engaged in vessel owning and chartering services and is an indirect wholly-owned subsidiary of the Company.

The Owner

The Owner is Good Trend Shipping Limited, which is indirectly wholly-owned by Avic International Leasing Co., Ltd (中航國際租賃有限公司) (“**Avic International**”). Avic International is principally engaged in, among others, the finance lease business. Avic

International is an indirectly non-wholly owned subsidiary of Avic Capital Co., Ltd (中航資本控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600705).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Owner and its ultimate beneficial owner is a third party independent of the Company and connected persons of the Company.

The Vessel

The Vessel is an oil tanker with a gross tonnage of 10,377, built in 2015. As at 31 December 2020, the net asset book value of the Vessel was approximately US\$21.5 million. The net profit attributable to the Vessel for each of the two financial years ended 31 December 2019 and 31 December 2020 are set out below:

	For the year ended 31 December 2019 (audited) US\$'000	For the year ended 31 December 2020 (audited) US\$'000
Net profit/(loss) before taxation	1,544	(403)
Net profit/(loss) after taxation	1,544	(403)

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the entering into of the Memorandum of Agreement and the Bareboat Charter Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting and the publication of announcement requirement under the Listing Rules but are exempt from the shareholders' approval requirement.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Actual Delivery Date”	the date of delivery of the Vessel by the Owner to the Charterer under the Bareboat Charter Agreement
“Bareboat Charter Agreement”	the bareboat charter agreement dated 2 March 2021 entered between the Charterer (as charterer) and the Owner (as owner) in relation to the bareboat chartering of the Vessel
“Board”	the board of directors of the Company
“Charterer”	Phoenix Shipping (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company

“Charter Period”	the period of 72 months commencing from the Actual Delivery Date
“Company”	Xin Yuan Enterprises Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 28 June 2016
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Vessel by the Charterer to the Owner pursuant to the Memorandum of Agreement
“Finance Principal”	The lower of (i) US\$12,600,000; and (ii) 70% of the fair market value of the Vessel based on the Valuation
“Group”	the Company and its subsidiaries
“Hire Period”	each and every three-month period during the Charter Period with the first Hire Period commenced on the Actual Delivery Date provided that if a Hire Period would otherwise extend beyond the expiration of the Charter Period, then such Hire Period shall terminate on the expiration of the Charter Period
“LIBOR”	the London interbank offered rate administered by ICE Benchmark Administration Limited for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen then applicable
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Agreement”	the memorandum of agreement dated 2 March 2021 entered between the Charterer and the Owner in relation to the sale and purchase of the Vessel
“Owner”	Good Trend Shipping Limited, a company incorporated with limited liability and existing under the laws of Hong Kong
“Purchase Obligation”	the purchase obligation as set out under the section headed “ <i>Details of the Memorandum of Agreement and the Bareboat Charter Agreement — Purchase Obligation</i> ” in this announcement

“Purchase Option”	the purchase option as set out under the section headed “ <i>Details of the Memorandum of Agreement and the Bareboat Charter Agreement — Purchase Option</i> ” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the Memorandum of Agreement, the Bareboat Charter Agreement, the Guarantee, the Other Documents and such other documents as may be designated as agreed by the Owner and the Charterer from time to time
“US\$”	United States dollar(s), the lawful currency of the United States of America
“Valuation Report”	the valuation report dated 14 January 2021 prepared by an independent valuer adopting the market approach in respect of the market value of the Vessel as at 14 January 2021
“Vessel”	Amber Bay with IMO No. 9764520
“%”	Per-cent

By Order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Wang Faqing
Chairman

Hong Kong, 24 May 2021

As at the date of this announcement, Mr. Wang Faqing, Mr. Xu Wenjun, Mr. Ding Yuzhao, Mr. Chen Ming and Mr. Lin Shifeng are the executive Directors, and Dr. Lai Guanrong, Mr. Suen Chi Wai and Mr. Xu Jie are the independent non-executive Directors.